Saskatchewan
Finance

Revenue Division
2350 Albert Street
Regina, Sask.
S4P 4A6

Information Bulletin

PST-18 **Issued: October, 1986** **Revised: January, 2008**

Saskatchewan

THE PROVINCIAL SALES TAX ACT

INFORMATION FOR MOTOR DEALERS AND LEASING COMPANIES

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax. It is a general guide and not a substitute for the legislation.

Changes to this bulletin are indicated by a bar (|), in the left margin.

The contents of this bulletin are presented under the following headings:

A. Vehicle Sales
B. Daily Rental Vehicles/New and Used Leased Vehicles
C. Used Vehicle Inventory
D. Warranties on New and Used Vehicles
E. Vehicles Purchased or Leased by Status Indians
F. Demonstrators
G. Service and Courtesy Vehicles
H. Vehicle Exemptions
I. Repair Parts, Repair Labour and Service Labour
J. Shop Supplies
K. Vehicle Modifications for Disabled Persons
L. Environmental Levies
M. Sale of Used Business Assets
N. Goods and Services for Your Own Use
O. Saskatchewan Electronic Tax Service (SETS)

A. VEHICLE SALES

Eligible Used Light Vehicles

Effective November 8, 2007 Provincial Sales Tax (PST) no longer applies to the sale of eligible used light vehicles on which PST has previously been paid in full. These include;

- Cars;
- Sport utility vehicles;
- Light vans (mini-vans, passenger vans and cargo vans that are rated one ton or less); and,
- Light trucks (quarter ton, half ton, three quarter ton and one ton).

Acid-free Paper

Only eligible used light vehicles on which the tax was previously paid in full to the Province of Saskatchewan are exempt from tax on resale. Eligible used light vehicles include those on which tax was paid on the net purchase price after allowing a deduction for a trade-in. Although tax is only paid on the net difference (after the trade-in allowance) they are deemed to be tax paid since the total amount of tax due at the time of purchase is paid in full.

Note: This change creates a new class of used light vehicle for PST purposes. Existing rules continue to apply to all other classes of vehicles.

Charges Related to the Sale of Used Light Tax Paid Vehicles

Incidental charges that are a standard element of vehicle sales (administration or documentation fees) are considered to form part of the selling price of the vehicle and therefore acquire the same tax status as the vehicle sold. Accordingly, these fees are not subject to tax whether they are shown separately on the invoice or included in the selling price of a used light tax paid vehicle.

Charges for other items that are material in nature such as extended warranties or other accessories are subject to tax on the selling price and the charges must be invoiced separately on the customer's bill of sale, otherwise the dealer is required to self assess tax on their cost and report these amounts in a similar manner to reconditioning charges.

Trade-ins on Used Light Vehicles

Subject to the rules described below, the value of a used vehicle accepted as a trade-in at the time of purchase of another vehicle may be subtracted from the purchase price of the vehicle before the PST is applied. Where a trade-in is allowed, the customer's invoice must separately identify the selling price of the vehicle, the trade-in amount, and the amount of PST collected.

Trade-ins must be valued in a manner that is consistent with industry standards. The Ministry of Finance reserves the right to establish fair market value in circumstances where the trade-in allowance is viewed as unreasonable for PST purposes.

To qualify to receive a trade-in allowance for PST purposes, the vehicle must be registered by the current owner for a period of at least six months. Dealers are required to maintain proof of registration on file to support this claim by the current owner. If the current owner is unable to provide sufficient documentation at the time of sale, the dealer must collect tax on the full selling price with no PST allowance for the trade.

Customers who are not allowed a trade-in allowance for PST purposes may forward details of their ownership claim directly to the Revenue Division which will review the circumstances on an individual basis.

Other Vehicle Classes

New vehicles and the following used vehicles are subject to tax on the total selling price, including charges for documentation fees, freight, pre-delivery, accessories, undercoating, and rust proofing installed by the dealer (tax applies on the total selling price less any cash discounts and trade-ins):

- used heavy vehicles (over one ton);
- ineligible used light vehicles, such as motorcycles, mopeds, ATV's, snowmobiles, boats, trailers; and,
- used light vehicles on which the tax was not previously paid in full, such as those;
  - purchased from outside Saskatchewan (other than settler's effects);
  - imported by vehicle dealers for sale in Saskatchewan;
  - on which tax was only partially paid, such as leased vehicles;
  - used interjurisdictionally that were subject to a tax pro-rate plan;
  - purchased from a status Indian or federal government department or agency; or,
  - received as a gift from a non-resident donor.

Trade-ins on Other Vehicle Classes

Dealers will continue to calculate tax on the cash difference for heavy vehicles and ineligible used light vehicles under the following conditions:

- the owner paid Saskatchewan tax on the trade-in (vehicles registered out of province cannot be accepted for a trade-in credit until the vehicle is registered in Saskatchewan and the owner pays the tax);
- the trade-in vehicle qualified for a tax exemption such as settler's effects; and,
- the trade-in is owned by the same registrant purchasing the vehicle as indicated in the commercial transaction.

Trade-in Scenarios

Vehicle to Purchase	Vehicle to Trade-in	Rule to qualify for Trade-in
eligible light	eligible light	six month registration
eligible light	other type	tax paid by owner
other type	other type	tax paid by owner
other type	eligible light	six month registration

Calculation of Tax on Vehicle Sales

The following examples illustrate the correct method of calculating the tax on vehicle sales:

(1)	Total Selling Price (excluding the GST)	$20,000
	Less: Trade-in	5,000
	Cash Difference	$15,000
	Tax at 5%	$ 750
(2)	Total Selling Price (excluding the GST)	$20,000
	Less: 10% Cash Discount	2,000
		$18,000
	Less: Trade-in	5,000
	Cash Difference	$13,000
	Tax at 5%	$ 650

Where the purchaser is a GST registrant and the trade-in allowance is GST included, the GST must be deducted from the trade-in allowance before calculating the Provincial Sales Tax.

(3)	Total Selling Price (excluding the GST)	$20,000
	Less: Trade-in	
	Trade-in Allowance (GST registrant)	$3,000
	GST (5/105 x $3,000)	143
	Trade-in Value	$ 2,857
	Cash Difference	$17,143
	Tax at 5%	$ 857

If the trade-in allowance exceeds the selling price of the vehicle being sold, no tax is payable, and a tax refund is not allowed.

Manufacturers' Cash Bonuses and Rebates

The tax must be calculated on the selling price of a vehicle before the deduction of a manufacturer's cash bonus or rebate offered as an incentive to a vehicle purchaser.

B. DAILY RENTAL VEHICLES/NEW AND USED LEASED VEHICLES

Leasing/rental firms are required to collect tax on the lease/rental charge of new and used vehicles that form part of their taxable inventory. Vehicles, repair parts, including oil and grease, and repair labour services can be purchased tax free providing these items are paid for by the leasing/rental firms.

Leasing/rental firms are **not** required to collect tax on the lease/rental of used light vehicles that form part of their tax paid inventory, providing they self assess tax on the parts and repairs for these units.

Vehicles that have been the subject of a lease are not considered to have had the tax fully paid on them. Therefore, the exercise of a buy-out option or any other sale of such a vehicle is subject to tax.

Leasing/rental firms must provide their Provincial Sales Tax number to their suppliers in order to purchase these items tax exempt.

Taxable Lease/Rental Charges and Fees

- Fixed fees, time and distance charges
- Collision damage waiver fees (exempt if optional)
- Personal accident insurance fees (exempt if optional)
- Liability insurance fees (exempt if optional)
- Drop off charges or one way service fees
- Security deposit charges
- Accessory charges
- Accident deductible charges and loss or damage charges
- Repair parts and repair labour
- Extended warranty charges
- Down payments (see calculation page 4)
- Finance (interest)

Exempt Lease/Rental Charges and Fees

- Parking and traffic violation fines and penalties
- Towing and battery boosting charges
- Gasoline charges
- Licence plate charges (including Saskatchewan compulsory licence plate insurance) for long-term leases
- PPSA fees
- Lease termination charges that are in the nature of a penalty or a settlement for terminating a lease early (termination charges that are applied to lease arrears are subject to tax)

Calculation of Tax on Leases Involving Trade-ins and Down Payments

A trade-in vehicle accepted as a down payment on a lease or as part payment against future lease payments can be used to reduce the amount of tax payable on leased vehicles. If a down payment is received, the tax must be collected on the down payment amount. The remaining lease value is subject to tax on each lease billing.

The following example illustrates the correct method of calculating the tax:

Total Price (excluding the GST)	$20,000
Less: Trade-in	8,000
Lease value subject to tax	$12,000
Down payment	1,000
**Balance of lease	$11,000
Tax payable at 5% on down payment of $1,000.	$ 50

**Balance of lease is subject to tax

All new and used vehicles sold upon termination of a lease/rental are subject to tax on the total selling price (excluding the GST) after the deduction of a trade-in. If a vehicle is sold to another dealer for resale, the purchaser's Provincial Sales Tax number must be recorded on the sales invoice.

If a vehicle under a long-term lease agreement is licensed for use in another province, the tax does not apply to the monthly lease charge.

C. USED VEHICLE INVENTORY

For PST purposes, dealers will now carry two types of used light vehicles in their resale inventory: those that are considered to be tax paid (exempt on resale) and those which are not tax paid and therefore subject to tax on resale.

Tax Paid Inventory

When acquiring used light vehicles on which the tax was previously paid in full, dealers are not required to collect the PST on the selling price of the vehicle and can advertise the vehicle as "Tax Paid" or "Tax Exempt". Accessories and extended warranties are subject to tax and must be itemized separately.

Dealers are required to self assess tax on reconditioning charges incurred on vehicles in their tax paid inventory. Dealers must maintain a record of these charges and the tax becomes due and payable when the charges are incurred.

Tax applies to the invoice amount for repairs, modifications or reconditioning performed by a third party as well as any parts and labor provided in-house. Tax on in-house charges is based on the amount invoiced to the used vehicle inventory records and not the actual cost of the parts or labour.

Taxable Inventory

When acquiring used light vehicles on which the tax was **not** previously paid in full, dealers are required to collect the PST on the resale price. Dealers are not required to self assess tax on repairs or reconditioning charges to these units as they form part of the taxable resale inventory.

D. WARRANTIES ON NEW AND USED VEHICLES

The tax applies to the selling price of optional extended warranty contracts and deductible charges for all **new and used** vehicles. Contracts sold with vehicles, and contracts sold subsequent to the purchase or lease of the vehicle, are subject to tax. Transfer charges to subsequent owners are also subject to tax.

Tax does not apply to parts and labour used to repair the vehicle under the terms of the extended warranty or factory warranty.

Tax applies to deductible charges, parts or labour billed to the customer.

Dealers selling mechanical breakdown insurance policies which are different from extended warranties for new and used vehicles are not required to collect tax.

However, charges including repair parts and repair services billed to the insurance provider are subject to tax.

E. VEHICLES PURCHASED OR LEASED BY STATUS INDIANS

Sales or leases to Indians and Indian Bands are tax exempt when the sale or lease is finalized on reserve and the goods are delivered to the reserve, and upon presentation of a Certificate of Indian Status identification card issued under the Indian Act. The complete 10 digit card number must be recorded on the sales invoice. If the federal identification card number is only 3 to 5 digits, record the number and the name of the Band on the sales invoice. An Exempt Sales Certificate must also be completed (see next page).

Exempt Motor Vehicle Sales Certificates are available from the Revenue Division.

Note: In lieu of completing the Exempt Motor Vehicle Sales Certificate, the vendor may print, type, write or apply by rubber stamp on the sales invoice supporting the sale, the following information.

Status Indian Exempt Sales Certificate

I acknowledge that the above described equipment was purchased by me, the transaction was finalized and delivery was taken on reserve number _____, location _____, and is for my own use or for approved Band management activities on the _____ day of _____ 20__. I have provided a copy of my Certificate of Indian Status identification card to the dealer.

_____ _____

Date Purchaser's Signature

When an Indian or Indian Band purchases or leases a vehicle and takes delivery of the vehicle off reserve or finalizes the transaction off the reserve, tax is applicable.

The sale of parts and labour services to Indians off reserve is subject to tax.

No exemption is provided where purchases or leases are made in the name of an Indian corporation.

Note: These vehicles are subject to tax when resold to non-status individuals unless the PST has been paid in full by a previous owner.

F. DEMONSTRATORS

"Demonstrator" means a new or used vehicle which is:

- Assigned to sales and management personnel and is available for demonstration purposes. Vehicles in this category include those assigned to salespersons, company officers and their spouses, sales managers, office managers, service managers, parts managers, fleet managers, business or finance managers, and auto body shop managers.

- Provided to educational institutions and professional/private driver education schools for use in driver education programs, where title to the vehicle remains with the dealer whether or not a charge is made for these vehicles.

- Provided to sports organizations for use solely during sporting events.

A dealer is not required to pay the tax on new and used vehicles in inventory which are used strictly for demonstration purposes during the first twelve months of service. However, if the demonstrator is sold before twelve months have elapsed, the tax must be collected on the selling price.

A dealer who drives a demonstrator longer than twelve months is required to pay the tax on the purchase cost of the vehicle. All demonstrator vehicles are subject to tax when sold.

G. SERVICE AND COURTESY VEHICLES

"Service vehicle" means a new or used vehicle which is used for purposes other than demonstration, and includes parts trucks, tow trucks, parts salespersons' vehicles, and vehicles assigned to persons other than those listed in the definition of "demonstrator".

"Courtesy vehicle" means a new or used vehicle which is not licensed as a daily rental vehicle and is provided to a customer free of charge during the period his or her own vehicle is being repaired.

A dealer is required to calculate the tax on these vehicles in the following manner:

- Calculate the tax using the following formula for the period the vehicle is in service:

  Purchase cost x 2% x number of months (or part months) x 5%

  A month of service commences on the first day the vehicle is put into service.

- The tax due on these vehicles must be remitted at the time the vehicle is taken out of service or every twelve months, whichever comes first. All vehicles are subject to tax when sold.

H. VEHICLE EXEMPTIONS

The following vehicle sales are not subject to tax:

- Eligible used light vehicles where it can be clearly demonstrated that the Saskatchewan PST was previously paid in full.
- Motor dealers purchasing for resale (the dealer's Provincial Sales Tax licence number and Motor Dealer licence number must be recorded on the sales invoice).
- Federal government departments and agencies (federal Crown corporations are taxable).
- Leasing companies (the purchaser's Provincial Sales Tax licence number must be recorded on the sales invoice).
- Carriers may purchase vehicles, trailers and certain repair parts and labour services tax free for interjurisdictional transportation purposes. The carrier's cab card number must be recorded on the sales invoice. For further information on exemptions for interjurisdictional carriers, please refer to Information Bulletin PST-50. A copy of this bulletin is available upon request.
- Sales made to Indians and Indian Bands, where the sale is finalized on reserve and the vehicle is delivered to the reserve, and upon presentation of a Certificate of Indian Status identification card issued under the Indian Act (see Section D of this bulletin).
- Non-residents, upon completion of an Exempt Motor Vehicle Sales Certificate (see below). A resident of Saskatchewan who intends to establish a residence outside the province must pay the tax at the time of purchase. However, if the vehicle is permanently removed from Saskatchewan within 30 days of the date of purchase, a refund of the tax is available providing proof of non-residency is supplied.

Exempt Motor Vehicle Sales Certificates are available from the Revenue Division.

Note: In lieu of completing the Exempt Motor Vehicle Sales Certificate, the vendor may print, type, write or apply by rubber stamp on the sales invoice supporting the sale, the following information for the non-resident.

Non-Resident

I acknowledge that the above described vehicle was purchased by me on the day of _____ 20__. This vehicle will be removed from Saskatchewan within 30 days and it will be licensed for use outside Saskatchewan. I have provided copies of my out of province vehicle registration or permit and driver's licence to the dealer.

_____ _____

Date Purchaser's Signature

Settler's Effects

An individual is not required to pay the tax on a vehicle brought into Saskatchewan as settler's effects (excluding business assets). It is not necessary for the settler to have Saskatchewan licence plates on the vehicle at the time it is traded in to a dealer in order for the exemption to apply. However, settlers who do not have Saskatchewan licence plates on the vehicle must provide the dealer with a letter obtained from the Revenue Division authorizing the exemption.

I. REPAIR PARTS, REPAIR LABOUR AND SERVICE LABOUR

Repair and service labour are taxable. This includes such charges as installation, assembly, adjusting, examining, testing, wheel alignments, wheel balancing, tire repairs, lubrication, inspections, battery charging, and diagnostic charges. Mandatory safety inspections (SGI) are exempt.

New repair parts, including manufactured and repair labour, are subject to tax.

On the sale of used parts to individuals, tax applies to the selling price of the goods less a deduction of $300 per item. (The $300 deduction does not apply to sales of items for commercial use.)

On the sale to individuals of used parts with a core value in excess of $300, the greater of $300 or the core charge may be deducted, but not both.

Reconditioned or remanufactured goods, such as motors, transmissions, alternators, brake shoes, fuel pumps, water pumps, and retreaded tires, are subject to tax on the total selling price. If an exchange unit is traded-in, the tax is calculated on the total selling price after the deduction of the value of the exchange unit. A refund is permitted on core credits.

Dealers are **not** required to pay the tax on parts or repair labour used to repair vehicles which are in their **taxable** inventory for resale purposes, or for daily rental and leased vehicles. Tax will be charged on the full charge to the customer, excluding the GST.

Dealers are required to pay the tax on parts or repair labour used to repair eligible used light vehicles which are tax paid and in their **tax paid** inventory for resale purposes, or for daily rental and leased vehicles.

Repair parts for new and used demonstrators, service vehicles and courtesy vehicles which are expensed are subject to tax. Internal labour charges to repair new and used demonstrator, service vehicles and courtesy vehicles are not subject to tax. Repair parts and labour capitalized to new and used demonstrators, service and courtesy vehicles are not subject to tax.

J. SHOP SUPPLIES

A dealer who charges a customer a fixed percentage of the total labour cost to cover shop supplies must collect the tax on this charge, provided it is shown separately on the customer's invoice. The dealer is not required to remit the tax on the purchase cost of the shop supplies.

If shop supplies are not billed to the customer, the dealer must pay tax on their cost.

Shop supplies include the following:

- Abrasive stones and discs
- Acid core solder and bits
- Adhesive sealant
- Bearing grease
- Bench lubricant
- Brass rods
- Carburetor solvent
- Chassis grease
- Choke cleaner
- Door ease
- Electric rods
- Electrical tape
- Fibreglass
- Gasket material
- Gasket sealer compound
- Glue
- Lubriplate paste
- Masking paper
- Mechanical wire
- Minor hardware (nuts, bolts, washers)
- Parts cleaning solvent
- Permatex compound
- Protective material
- Resin
- Sandpaper
- Silicone spray
- Solder
- Steel wool
- Steel rods
- Undercoat
- Upholstery cleaner
- Window weld
- Wiping rags

K. VEHICLE MODIFICATIONS FOR DISABLED PERSONS

Dealers are not required to collect tax from customers on van lifts, power door openers, remote controls, power seat bases, wheel chair troughs, remote switches, van modifications such as raised roof or dropped floor, hand controls, and similar items installed on a motor vehicle for disabled persons.

L. ENVIRONMENTAL LEVIES

Charges billed to a customer for disposal of oil, oil filters, tires and batteries are exempt from tax, providing they are shown separately on the invoice.

M. SALES OF USED BUSINESS ASSETS

Businesses are required to collect tax on the sale of used assets, such as vehicles and equipment. When used assets are being sold as part of the closure of a business, the purchaser is required to self-assess and report the tax.

N. GOODS AND SERVICES FOR YOUR OWN USE

Businesses are required to pay tax on purchases of equipment, services and supplies used in their business. If they are purchased from a licensed supplier, tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, tax must be submitted with your return on the laid down cost, which includes exchange, transportation charges, customs duties, and importation charges, but not the GST.

O. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Ministry of Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (SETS) offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for Provincial Sales Tax and other provincial taxes.

SETS allows businesses to:

- File and pay returns or make payments on account.
- File a return and post-date the payment to the due date.
- View account balance and statement information.
- Authorize your accountant to file on your behalf.
- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

E-mail: sask.tax.info@finance.gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

http://www.finance.gov.sk.ca/taxes/pst

To receive automatic e-mail notification when this (or any other) bulletin is revised, go to www.finance.gov.sk.ca/taxes, click on the "What's New" information then click on the "subscribe" button.